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Peace Dividends and Land Booms in World History

Mason Gaffney, August 2005

Many standard sources are used. A valuable and generally underutilized source is Levasseur, M.E., 1892. *Les Prix. Aperçu de l'Histoire Économique de la Valeur et du Revenue de la Terre en France. 13th-18th cents. Extrait des Mémoires de la Société Nationale d'Agriculture de France. Tome 135, 1893. Paris: Typographie Chamerot et Renouard, 1893.*

Over several centuries we can observe that major peace and disarmament treaties have kicked off land booms by lowering taxes—all kinds of taxes. We also often observe that the booms lead to busts, after periods ranging from four years (1815-1819) to seven years (1713-1720, 1865-1873) to eleven years (1918-1929, 1781-1792).

A few examples follow:

- 1259, Louis IX (St. Louis) gives up warfare, makes peace all around by compromising with James I of Aragon and Henry III of England. A skilled arbitrator, he also brings peace to Flanders, Hainault, and Navarre. Stands in well with the Pope, who gives him Sicily. Previously, 1229, France had made honorable peace with Raymond VII of Toulouse, ending Albigensian "crusade" (or perhaps co-opting Raymond into it, for Louis cooperated in the papal inquisition). Louis is a skilled administrator, brings to France unprecedented peace and unity. As to "prosperity," he raises land values; yet the quarrelsome city-states of northern Italy, Flanders, and southern Germany forge ahead in trade, industry, banking, art, science, and letters.
- 1431, French under Jeanne d'Arc lift siege of Orleans. Land values there rise from sixteen to ninety-two francs per hectare (converted from ancient units in use then).
- 1509-1529, Cardinal Wolsey, counselor to young Henry VIII of England, advises "Greatness through Peace." This holds down taxes and raises English land values, and so helps kick off the enclosure movement. Mania of land speculation: era of Peace and Poverty—inducing some emigration.
- 1519, Cortez conquers Mexico; looted gold and other treasures flood into Spain, raising Spanish land values.
- 1525, Charles V defeats and captures Francis I at Pavia, freeing Charles to return to Germany and suppress Anabaptist rebels under Munzer, slaughtering 100,000. Martin Luther supports Charles in this. Thus, a peace dividend of victory lets the ruling rentiers wage class warfare to the max, maintaining power of landlords to collect rent and enclose commons. As to religion, the suppression of the landless is ecumenical: in Germany, Catholic Charles V, with Luther's approval, suppresses and dispossesses rebel Protestants; in England, Henry VIII confiscates church lands and suppresses Catholics.

- 1529, German states vote to help Vienna hold out against Turks, who are finally stopped. Charles V accommodates Lutherans for unity against Turks. Inter-Christian religious wars deferred for eighty-nine years; class war is continuous.
- 1536-1540, Henry VIII confiscates vast church lands. Accompanying this is a major "exclusionary shift" in nature of class war. Previously, landlords sought to tie people to land; now, seek to evict. Thus the modern age is "born in agony" (Heilbroner), but the agony of most is the enrichment of others.
- 1550, Dudley (Northumberland) controls young King Edward VI, makes ignominious peace with France, suppresses Ket and other rebels against enclosures. Thus peace won by retreating can free the ruling class for class warfare, just as Charles V used peace won by victory. Dudley replicates Wolsey, and anticipates Buckingham, Walpole, and Chamberlain.
- 1553, Queen Mary I of England, loyal Catholic daughter of Catherine of Aragon, marries the future King Philip II of Spain, cements alliance, continues era of Peace and Poverty.
- 1555, Peace of Augsburg, Charles V compromises with France, avoids religious warfare in Germany—continues providing security for landowners. Enclosures continue; land values rise.
- 1556-1598, under Philip II, "Spaniards accepted as a divine mission the task of preserving political order and religious orthodoxy in Europe." "Political order" is code for affirming and supporting private property in land. Thus they are something like Americans today. Their mission dissipates much of their dividend of booty from the New World. It also stirs religious civil wars in France, where Spain intervenes, and provokes rebellion in the Lowlands by tyrannizing and taxing them. All of that tended to cap land values.
- 1558, Elizabeth I, low taxes and peace, with desperate poverty. Poor laws. 1563-1601, recognize great poverty. It had not always been so: previous century had been one of higher wages, greater security for peasants. Elizabeth builds up surplus. High land values, but Spain threatens.
- 1588, English fleet and bad weather defeat Spanish Armada. Rents and land values rise sharply in southeast England.
- 1589-1610, Henri IV, King of France, brings internal peace with Edict of Nantes, 1598; also peace with Spain by Treaty of Vervins, 1598. Sully reforms finances, builds public works. Land rents and values rise in France (until bust of 1620).
- 1603, James I, new joint monarch of England and Scotland, seals peace with Scots. James is related to powerful French Catholic Guise family, helps keep peace with France and Spain, avoids sharp cleavage on religious lines. Arch-enemy Philip II of Spain had died, 1598. Privateering stops. Buckingham sways James I to spend little on the navy, letting Dutch and French expand. James puts down Irish revolt, plants Scots in Ulster. Spain makes peace with United Provinces. Peace dividends all around, land values rise.

- 1618, start of Thirty Years' War in Germany, involves most of Europe, high costs. 1630, Richelieu supports Protestants in Germany to curb Spain. Raises taxes; French land values fall.
- 1609-1648, Holland is left alone to enjoy its commercial successes and capitalize them into land values. Peace with Spain. France preoccupied in Germany. Rival English navy underfunded by Buckingham. Rival city of Antwerp betrayed to and suppressed by Spain. Great wealth seeking outlets leads to tulip bubble, 1634-1637, a matter of great publicity, but the same search for wealth-storage and speculation makes Dutch land values rise, too. Recent research by Professor Piet Eichholtz of Maastricht and Robert Shiller of Yale confirms.
- 1620-1640, immigration and a land boom in New England, followed by bust of 1640.
- 1637, massacre of Pequods by Capt. John Mason frees Connecticut from Indians, caps off long "Great Migration." England is paying for military defense, levying no taxes. Yet, land speculation on the patroon pattern sterilizes main north-south valleys of Connecticut, and of course Hudson Valley of New York, aborting the immigration boom, leading to crash of 1640, and a reverse migration. Settlers are diverted to the thin, rocky soils, frigid winters, steep slopes, and precarious tenures of New Hampshire (including modern Vermont).
- 1648, Peace of Westphalia ends Thirty Years' War, ushers in era of peace, lower taxes, rising land values. France (and Holland) are the major beneficiaries, but French landowners rebel against taxes, anyway. The Fronde, 1648-1653, is a series of outbreaks by rural landowners against taxes. Louis XIV and his ministers and a series of influential women advisers solve this problem by moving the feudal landowners to Versailles, leaving them their rents while relieving them of feudal obligations and taxes: they become pure parasitic rent-takers without owing the state or their local people anything.
- 1660, English tire of Cromwell's wars and high taxes. They restore the Stuarts under Charles II, who makes peace, which makes land values rise. Thomas Hobbes sways Charles and the succeeding James II to substitute sales and excise taxes for land taxes.
- 1675, Louis XIV opens wars for the Lowlands. Dutch land values sink (Eichholtz). Colbert had held down taxes, opposed extravagance. Louis, displeased, replaces him with Louvois, an ambitious general, 1672. Spends heavily, subsidizes English and other foreign governments, helps raise *their* land values. French land values fall after about 1675. Europe gangs up on France in League of Augsburg, from 1686, to protect Holland, keep balance of power.
- 1676, death of the New England Wampanoag Indian King Philip ends King Philip's War, which was very costly to the English settlers. Maine, ravaged, takes years to recover. The victory drives Indians from most of New England, opens it all for settlement. Synchronized with Bacon's Rebellion in Virginia, an attempt by western settlers to drive back Indians there—suggests an elevated degree of land prices and land hunger—more data needed.

- 1678, high-water mark for Louis XIV; Netherlands menaced and stressed. Peace of Nijmegen.
- 1682, William Penn arrives in Pennsylvania, promotes settlement, huge migration to Pennsylvania follows, rivals earlier Great Migration to New England of 1630-1640. We may surmise a land boom accompanies the migration—evidence needed.
- 1685, Louis XIV revokes Edict of Nantes, opens a religious civil war against Calvinists that was also a kind of class war, as the rich Calvinists (Huguenots) had already been co-opted by Louis. Massive emigration of Huguenots. Effects on French industry somewhat comparable to effects of Spanish Inquisition.
- 1688, Glorious Revolution, Britain dumps James II, whom Louis XIV had supported and subsidized. William and Mary, then Queen Anne, lead long wars against Louis XIV. Issues are now drawn sharply on religious lines of cleavage, Protestant vs. Catholic, probably reinforcing the emotional war spirit on both sides. All nations drained financially.
- 1689, New England, King William's War, French stir up Indians again against English settlers, especially in northern New York and New England. Massacre at Schenectady; Maine overrun. England withdraws financial and military aid; Massachusetts (including modern Maine) bankrupt, high taxes, low land values, low spirits. Yet, migration to New Hampshire (including modern Vermont) has made it a tough nut to crack. Data needed on population of northern New England.
- 1704 and onwards, Marlborough rampages around Europe, humbles Louis XIV, but Brits fear his ambition and high taxes, finally rein him in. France revives, drives Brits from Spain, leading to:
- 1713, Peace of Utrecht ends War of the Spanish Succession. Britain gains the slave trade, or "*asiento*." Peace followed by land booms (Mississippi and South Sea), busts of 1720. George I and Walpole continue to keep the peace to 1742; era of "salutary neglect" abroad, rising rents and land values in England. Meantime, France under Cardinal Fleury recovers, bullies Holland and much of Europe.
- 1740-1748, War of Austrian Succession, a standoff.
- 1748-1756, peace.
- 1756-1763, Seven Years' War, England takes over Mississippi Valley, France is set back but still strong.
- 1763-1776, peace.
- 1776-1781, American Revolution, France allies with the former English colonies, recovers some ground.
- 1783, Peace of Paris, American land values rise, especially in the West, which is now open to speculation and settlement.

- 1789, opening of long French Revolution with huge expenditures, confiscations of some lands and threats against all, morbid fears exaggerating threats of future confiscations: land values fall. Review Levasseur on course of French land values in this period. French introduce *levée en masse*, raise cost of warfare permanently. European land values suffer. Europe's internal struggles leave America alone to prosper, and undergo the land boom and bust of 1781-1798.
- 1787, United States unites under new constitution containing elaborate safeguards for private landownership. American land values rise, speculation in western lands goes wild.
- 1792, short bust; 1798, more severe bust helps drive Federalists and Hamilton from power, opens door for Jefferson, whose expansionism and egalitarian land disposal policies hold down eastern land values for many years.
- 1803, Napoleon sells Louisiana to Jefferson, doubles area of United States, opens vast new frontiers.
- 1800-1813, Napoleonic Wars. Europe preoccupied with itself, leaves us alone, except for War of 1812, a standoff punctuated by a final American victory at New Orleans.
- 1814-1848 ushers in long period of peace. Minor downturn in 1819. 1823 Monroe Doctrine, germ of U.S. imperialism. In United States, westward expansion at high speed. Peace dividend takes two forms: financing federal government from sale of public domain, and cheap land for settlers, who also fight Indians, protecting the border tax-free. New York state finances Erie Canal from state GO bonds, showing all states how to raise enormous capital. Andrew Jackson also distributes surpluses to the states, letting them build public works without raising local taxes. That leads to extreme rise of speculative western land values, crash of 1837. Peace followed by boom followed by bust is a common pattern.
- 1848, Treaty of Guadalupe Hidalgo, opens the rest of the West for settlement, sale of public lands, another land boom up to 1857 crash. Again the pattern of peace, boom, bust.
- 1854, Crimean War removes likelihood of European interference in U.S. affairs, gives security to bolster land boom in the United States. Japan opens, 1854. Whale fishery thrives. China and California trade opens. Clipper ships; steam navigation. All signals go. Sudden large increase in military spending by England especially, and France, competing with investments in railroads (U.S. and worldwide), could have triggered U.S. bust of 1857.
- 1861-1865, Civil War, huge casualties and costs, high taxes and debts, land values depressed. Southern values nearly wiped out.
- 1865, end of Civil War, war taxes repealed, land boom in the North and West, the original "Gilded Age," up to crash of 1873.

- 1871, Franco-Prussian War, short and decisive, hence cheap. Leaves France with bearable reparations, so land prices rise even there. Germany gets new horizons and ambitions.
- 1873-1898, long period of peace, in spite of deep depression, 1873-1886. Cap rates on land fall to low levels in Europe, price-to-rent ratios rise to high levels; European surplus capital seeks outlets worldwide.
- 1898, easy victory in Spanish-American War leads not to a peace dividend, but to America joining worldwide naval and arms races. 1900-1914, rearmament worldwide, world naval race. Britain introduces the dreadnought class of battleship, obsoleting the world's fleets, opening furious building boom in many maritime nations including Italy, Japan, and the United States. World girds up for World War I. Taxes of all kinds rise, holding down land prices. Same time, new urbanization calls for much more local spending, paid by local property taxes.
- 1919, Treaty of Versailles launches era of intense reaction to war. Mutual disarmament treaties all around. Taxes fall sharply. U.S. taxes fall more than European taxes, because the United States had been more influenced by philosophy of paying for World War I from current revenues, rather than debt. U.S. land values skyrocket—until softening in 1927, and crashing with stocks in 1929.
- 1945, end of World War II, land values in the United States lag rising rents for a while; a pessimistic generation sets the mood. 1950 Korean War and ensuing Cold War keep taxes up, damp land values, which recover only slowly. 1965-1973, Vietnam War depresses spirits, maintains taxes, depresses land values. Oil shocks transfer rents from most of the United States to oil states, and other nations. 1979, Volcker revolution spikes interest rates, damps land boom.
- 1945-1990, defeated Japan outlaws military spending. Its economy thrives under U.S. military umbrella, with low taxes; Japanese land values rise to be the highest in the world. Land values rise throughout Southeast Asia.
- 1980, Reagan revolution and collapse of USSR kick off peace dividend, finally. Lower tax rates and crowing triumphalism replace balance and moderation. Major shift of tax burden from property to labor. Growing national debt rendered less visible, as Republicans switch to favoring deficit finance. Sharp land boom, marked by a pause and setback around 1990.
- 1993-2001, Clinton raises taxes to start paying down national debt, turn capital flow back into private sector ("reverse crowding-out"). Holds down land boom, although stocks boom.
- 2001-date, U.S., rentier class firmly in power. Lower taxes on property income; shrug off huge national debt and trade deficits. Stocks fall, but not to 1990 levels, while the mother of all land booms grips the nation.

Subthesis: Peaces do not last, because they lead to booms followed by busts. Nations struggling to recover from busts turn to imperialism and/or defense against the imperialism of others. The buildup of the Axis Powers in the 1930s is a prime example, near enough to be remembered vividly.

The challenge for economists, of course, is to show how to make peace work. By "work" I refer to more than "prosperity" in the Hoover sense, but full employment with high wages and less division into classes.